

STATEMENT OF BASIS
Vermilion Bay Exploration, Inc.
State Lease 19298 Well No. 1, Eugene Island Block 6
LPDES Permit No. LA0123722
AI No. 156101

For the Issuance of an LPDES Water Discharge Permit in the Offshore Subcategory of the Oil and Gas Extraction Point Source Category.

THE PERMITTEES ARE: **Vermilion Bay Exploration, Inc. - State Lease 19298 Well No. 1, Eugene Island Block 6** involved with the exploration, development, and production of oil and gas within territorial seas locations of the State of Louisiana.

ISSUING OFFICE: Louisiana Department of Environmental Quality (LDEQ)
Office of Environmental Services
Post Office Box 4313
Baton Rouge, Louisiana 70821-4313

PREPARED BY: Ms. Valerie Powe

DATE PREPARED: March 12, 2008

1. PERMIT STATUS

- A. Reason For Permit Action:
First time issuance of a Louisiana Pollutant Discharge Elimination System (LPDES) permit for a 5-year term.
- B. NPDES permit effective date: N/A
NPDES permit expiration date: N/A
EPA has not retained enforcement authority.
- C. LPDES permit: LA0123722
LPDES permit effective date: N/A
LPDES permit expiration date: N/A
- D. Date Application Received: February 14, 2008

2. FACILITY INFORMATION

- A. **FACILITY TYPE/ACTIVITY** - Oil and Gas Exploration, Development, and Production Operations

Vermilion Bay Exploration, Inc. - State Lease 19298 Well No. 1, Eugene Island Block 6 is an oil and gas exploration, development, and production facility.
- B. **FEE RATE**
 - 1. Fee Rating Facility Type: minor
 - 2. Complexity Type: III, BPJ from 20 points to 10 points to be closer to the fee for coverage under the general permit, LAG260000
 - 3. Wastewater Type: III
 - 4. SIC Code: 1311
- C. **LOCATIONS** - State Lease 19298 Well No. 1, Eugene Island Block 6, approximately 34.2 miles south of Jeanerette, Louisiana, Iberia Parish

Latitude: 29° 24' 33" Longitude: 91° 43' 14"

3. OUTFALL INFORMATION

See Appendix A.

4. RECEIVING WATER

Stream – Gulf of Mexico

Basin and Segment – Atchafalaya River, 010901

Designated Uses -

- a. primary contact recreation
- b. secondary contact recreation
- c. fish and wildlife propagation
- d. oyster propagation

5. PROPOSED EFFLUENT LIMITS

See Appendix A.

6. COMPLIANCE HISTORY/COMMENTS

A file review disclosed that no actions have been issued to Vermilion Bay Exploration, Inc. - State Lease 19298 Well No. 1, Eugene Island Block 6.

7. 303(d)/TMDL WATERBODIES

Subsegment 010901, Atchafalaya Bay, Gulf Waters is listed on LDEQ's Final 2006 303(d) List as impaired for mercury and turbidity. To date, several TMDLs have been developed for discharges of mercury into gulf waters of the state of Louisiana. Specifically, it is stated that there is no available data indicating mercury concentrations would be expected in discharges from oil and gas operations. It is noted that spent drilling muds from these wells do possess reasonable potential to cause or contribute to violations of the water quality standard for mercury, resulting in the introduction of mercury into the food chain; however, LDEQ prohibits the discharge of spent drilling muds into waters of the state of Louisiana. Because LDEQ has taken steps to prevent the discharge of mercury at levels above water quality standards by eliminating the discharge of drilling muds and given that current TMDLs attribute no indication that mercury is discharged from oil and gas operations, mercury requirements will not be placed in this permit. The source for turbidity is unknown and a TMDL is due for completion on March 31, 2009. As per LAC 33:IX.1113.B.9, there shall be no turbidity other than that of natural origin and shall not cause substantial visual contrast with the natural appearance of the water of the state or impair any designated water use.

8. ENDANGERED SPECIES

The receiving waterbody, Subsegment 010901 of the Atchafalaya River Basin is not listed in Section II.2 of the Implementation Strategy as requiring consultation with the U.S. Fish and Wildlife Service (FWS). This strategy was submitted with a letter dated October 24, 2007 from Boggs (FWS) to Brown (LDEQ). Therefore, in accordance with the Memorandum of Understanding between the LDEQ and the FWS, no further informal (Section 7. Endangered Species Act) consultation is required. It was determined that the issuance of the LPDES permit is not likely to have an adverse effect on any endangered or candidate species or the critical habitat. The effluent limitations established in the permit ensure protection of aquatic life and maintenance of the receiving water as aquatic habitat.

Vermilion Bay Exploration, Inc.
Statement of Basis
Draft Permit No. LA0123722
AI No. 156101
Page 3 of 4

9. HISTORIC SITES

The LDEQ shall notify the LSHPO of the receipt of individual permit applications for proposed facilities when associated oil or gas related activities are to be planned on inland wetlands areas.

10. TENTATIVE DETERMINATION

On the basis of preliminary staff review, the Department of Environmental Quality has made a tentative determination to issue a permit for discharges described in the proposed effluent attachment.

11. PUBLIC NOTICES

Upon publication of the public notice, a public comment period shall begin on the date of publication and last for at least 30 days thereafter. During this period, any interested persons may submit written comments on the proposed issuance of LPDES individual permits and may request a public hearing to clarify issues involved. This Office's address is on the first page of the statement of basis. A request for a public hearing shall be in writing and shall state the nature of the issues proposed to be raised in the hearing.

Public notice published in:

The local newspaper of general circulation and

The Office of Environmental Services Public Notice Mailing List.

Vermilion Bay Exploration, Inc.
Statement of Basis
Draft Permit No. LA0123722
AI No. 156101
Page 4 of 4

Rationale for Vermilion Bay Exploration, Inc., State Lease 19298 Well No. 1, Eugene Island Block 6

Outfall locations will vary from site to site. See Appendix A for pollutant type, limitations and monitoring frequencies.

Limits Justification and References

Limits are based upon 40 CFR 435 Subpart A - Territorial Subcategory, Final NPDES General Permit for the Territorial Waters of Louisiana (LAG260000), Louisiana Water Discharge Permit System individual permits, and Best Professional Judgment.

Storm Water Pollution Prevention Plan (SWP3) Requirement

In accordance with LAC 33:IX.2511.C.1.c, the operator must prepare and implement a Storm Water Pollution Prevention Plan (SWPPP) if there has been a release of reportable quantity of oil or hazardous substance in stormwater at the facility since November 16, 1987. A Reportable Quantity spill of oil is defined at 40 CFR 110.3 as discharges of oil that "Cause a film or sheen upon or discoloration of the surface of the water." A reportable quantity of a hazardous substance is defined at 40 CFR 117.21 and 40 CFR 302.6 as any person in charge of a vessel or an onshore or an offshore facility shall, as soon as he has knowledge of any discharge of a designated hazardous substance from such vessel or facility in quantities equal to or exceeding in any 24-hour period the reportable quantity determined by this part, immediately notify the appropriate agency.

The SWP3 shall be prepared, implemented, and maintained within 60 calendar days of the effective date of this permit if a discharge of a reportable quantity of oil or a hazardous substance has occurred on or before this date, or within 60 calendar days after the first knowledge of a discharge of a reportable quantity of oil or a hazardous substance. The plan should identify potential sources of storm water pollution and ensure the implementation of practices to prevent and reduce pollutants in storm water discharges associated with industrial activity at the facility (see STORMWATER DISCHARGES in Part II of the Draft Permit).